



**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

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December 22, 2011

TO: Supervisor Zev Yaroslavsky, Chairman  
Supervisor Gloria Molina  
Supervisor Mark Ridley-Thomas  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

FROM:

Wendy L. Watanabe  
Auditor-Controller

SUBJECT: **POMONA UNIFIED SCHOOL DISTRICT – A DEPARTMENT OF PUBLIC  
SOCIAL SERVICES CALWORKS STAGE ONE CHILD CARE  
PROGRAM PROVIDER – CONTRACT COMPLIANCE REVIEW**

We completed a review of Pomona Unified School District (PUSD or Agency), a Department of Public Social Services (DPSS) CalWORKs Stage One Child Care Program (Stage One) provider. Our review covered a sample of transactions from Fiscal Year (FY) 2010-11. DPSS contracts with PUSD, a public school district, to operate the Stage One Program, which helps families access immediate, quality, and affordable child care as they move through their Welfare-to-Work activities.

The purpose of our review was to determine whether PUSD appropriately accounted for and spent Stage One Program funds to provide the services outlined in their County contract. We also evaluated the Agency's accounting records, internal controls, and compliance with their County contract and other applicable guidelines.

DPSS pays PUSD a fixed monthly fee of \$9,965, and a negotiated monthly rate of \$163 per participant to fund Program operating costs. The contract requires the Agency to return any unspent revenue to DPSS. In addition, once a participant chooses a child care provider, PUSD develops a rate agreement, and pays the child care provider directly. DPSS reimburses PUSD for these costs at the rates specified in the contract. The rates vary based on the needs of the participant. DPSS paid PUSD approximately \$6.7 million during FY 2010-11. The Agency provides services to residents in the First, Fourth, and Fifth Supervisorial Districts.

### **Results of Review**

PUSD provided services to individuals who met the Stage One Program eligibility requirements, and Agency staff had the required qualifications. However, PUSD did not always comply with all of the County contract requirements. Specifically, PUSD:

- Inappropriately allocated \$73,589 (88%) of the \$83,396 in non-payroll expenditures reviewed using unsupported or unallowable allocation methods.

*PUSD's attached response indicates that they have revised their allocation methods for future periods.*

PUSD's response indicates they will correct future cost allocations. However, the Agency also needs to review and reallocate all shared non-payroll expenditures charged to the Stage One Program during the period we audited (FY 2010-11), provide DPSS with supporting documentation, and repay any overbilled amounts.

- Did not always have required documents (i.e., employment eligibility, current driver's licenses, car insurance documentation, and signed Employee Acknowledgement and Confidentiality Agreements) in their employees' personnel files. After our review, the Agency obtained current driver's licenses, car insurance documentation, and signed agreements for the employees reviewed.

*PUSD's attached response indicates that they will ensure their personnel files have the required documents.*

Details of our review, along with recommendations for corrective action, are attached.

### **Review of Report**

We discussed our report with PUSD and DPSS in November 2011. PUSD's attached response indicates agreement with our findings and recommendations. DPSS indicated that they will work with PUSD to ensure the recommendations are implemented.

We thank PUSD management for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:JLS:DC:AA

#### **Attachment**

c: William T Fujioka, Chief Executive Officer  
Sheryl L. Spiller, Acting Director, Department of Public Social Services  
Richard Martinez, Superintendent, PUSD  
Ofelia Lariviere, Child Development Administrative Director, PUSD  
Public Information Office  
Audit Committee

**POMONA UNIFIED SCHOOL DISTRICT  
CALWORKS STAGE ONE CHILD CARE PROGRAM  
FISCAL YEAR 2010-11**

**ELIGIBILITY**

**Objective**

Determine whether Pomona Unified School District (PUSD or Agency) provided services to individuals who met the CalWORKs Stage One Child Care (Stage One) Program eligibility requirements.

**Verification**

We reviewed the case files for ten (2%) of the 429 participants who received services during June 2011 for documentation to confirm their eligibility for Stage One services.

**Results**

PUSD had documentation to support all ten participants' eligibility for Stage One Program services.

**Recommendation**

**None.**

**PROGRAM SERVICES**

**Objective**

Determine whether PUSD provided the services according to the County contract and Stage One Program guidelines. In addition, determine whether the Program participants and child care providers received the billed services.

**Verification**

We visited PUSD's service site, and reviewed the case files for ten (2%) of the 429 participants who received services, and ten (3%) of the 358 child care providers who provided child care, during June 2011.

**Results**

PUSD provided Program services in accordance with the County contract.

**Recommendation**

None.

**STAFFING QUALIFICATIONS**

**Objective**

Determine whether PUSD staff had the qualifications required by the County contract.

**Verification**

We reviewed the personnel files for eight (13%) of the 63 PUSD employees who worked on the Stage One Program.

**Results**

PUSD staff had the required qualifications.

**Recommendation**

None.

**CASH/REVENUE**

**Objective**

Determine whether PUSD's cash receipts and revenue were recorded in the Agency's financial records properly, and that cash receipts were deposited timely.

**Verification**

We interviewed PUSD management, and reviewed the Agency's financial records.

**Results**

PUSD recorded cash receipts and revenue properly, and deposited cash receipts timely.

**Recommendation**

None.

**EXPENDITURES/PROCUREMENT****Objective**

Determine whether expenditures charged to the Stage One Program were allowable under the County contract, properly documented, and accurately billed.

**Verification**

We interviewed PUSD's personnel, and reviewed financial records and documentation for \$83,396 in non-payroll expenditures that the Agency charged to the Stage One Program from December 2010 through June 2011.

**Results**

PUSD inappropriately allocated \$73,589 (88%) of the \$83,396 non-payroll expenditures reviewed to the Stage One Program using unsupported or unallowable allocation methods. Specifically, the Agency:

- Used unallowable methods to allocate \$68,378 in building renovation and equipment rental expenditures.
- Did not have documentation to support the allocation of \$5,211 in custodial supplies and advertising expenditures.

**Recommendations****PUSD management:**

1. Review and reallocate all shared non-payroll expenditures charged to the Stage One Program during Fiscal Year (FY) 2010-11, provide DPSS with supporting documentation, and repay any overbilled amounts.
2. Allocate non-payroll expenditures charged to the Stage One Program in compliance with the County contract, and maintain supporting documentation.

**FIXED ASSETS AND EQUIPMENT****Objective**

Determine whether PUSD's fixed assets and equipment purchased with Stage One funds were used for the Program and were safeguarded.

**Verification**

We interviewed Agency personnel, and reviewed the Agency's fixed assets and equipment inventory listing. We also performed a physical inventory of seven items purchased with Stage One funds in prior years to verify the items exist and were being used as required.

**Results**

The items purchased with Stage One funds were used for the Program, and were adequately safeguarded.

**Recommendation**

None.

**PAYROLL AND PERSONNEL****Objective**

Determine whether PUSD charged payroll costs to the Stage One Program appropriately, and obtained required criminal background clearances and employment eligibility for Stage One Program employees.

**Verification**

We traced the payroll costs for eight employees, totaling \$21,825, for June 2011 to the Agency's payroll records and time reports, and reviewed employees' personnel files.

**Results**

PUSD appropriately charged payroll costs to the Stage One Program, and obtained criminal background clearances for the Stage One Program staff reviewed. However, PUSD did not have employment eligibility documentation for three (38%) of the eight employees reviewed, and did not always have required personnel records in the employees' files. Specifically:

- Three (38%) of the eight employee files reviewed did not have copies of a current driver's license, and six (75%) of the eight files did not have proof of car insurance, even though the employees drove while performing contract duties.
- Four (50%) of the eight employee files reviewed did not have signed Employee Acknowledgement and Confidentiality Agreements.

After our review, the Agency obtained the employment eligibility documentation, current driver's licenses, car insurance documentation, and signed agreements for the employees reviewed.

### **Recommendations**

#### **PUSD management:**

- 3. Obtain employment eligibility documentation for all Stage One Program employees.**
- 4. Maintain copies of current driver's licenses and proof of car insurance for all Stage One Program employees who drive while performing contract duties.**
- 5. Obtain signed Employee Acknowledgement and Confidentiality Agreements for all Stage One Program employees.**

### **COST ALLOCATION PLAN**

#### **Objective**

Determine whether PUSD's Cost Allocation Plan was prepared in compliance with their County contract, and was used to appropriately allocate shared costs.

#### **Verification**

We reviewed the Agency's Cost Allocation Plan and a sample of expenditures for FY 2010-11.

#### **Results**

PUSD's Cost Allocation Plan was prepared in compliance with the County contract. However, PUSD did not appropriately allocate shared non-payroll expenditures to the Stage One Program as discussed above.

#### **Recommendation**

**Refer to Recommendations 1 and 2.**

### **CLOSE-OUT REVIEW**

#### **Objective**

Determine whether PUSD had any unspent revenue during FY 2010-11 that should be returned to DPSS.

**Verification**

We traced the total revenues and expenditures from PUSD's quarterly FY 2010-11 close-out invoices to the Agency's accounting records, and to DPSS' payment records.

**Results**

PUSD did not have any unspent revenue during FY 2010-11.

**Recommendation**

**None.**





CHILD DEVELOPMENT PROGRAM  
1460 E. Holt Avenue, Ste. 174, Pomona, CA 91767  
Christina Z. Acosta, Program Supervisor, (909) 397-4740, Ext. 5622, Fax: (909) 623-3739



November 2, 2011

Wendy Watanabe, Auditor-Controller  
County of Los Angeles Department of Auditor-Controller  
Countywide Contract Monitoring Division  
350 South Figueroa Street, 8<sup>th</sup> Floor  
Los Angeles, CA 90071

Good Afternoon Ms. Watanabe,  
Per your request, below are the responses to the Stage I audit findings:

- **In response to: Inappropriately allocated \$73,589 (88%) of the \$83,396 non-payroll expenditures reviewed using unsupported or unallowable allocation methods.**

*We recognize that we did not use appropriate allocation methods on these invoices. Changes have been implemented to correct this in the future. Starting in the 2011-2012 year, all future expenses will be allocated to programs using two allocation methods:*

1. *Expenses that are in support of programs will be allocated by using the number of children enrolled.*

2. *The FTE of the staff, this method is more appropriate in expenses relating to facility expenses. We will work with DPSS to resolve any inappropriate allocated expenses and over-billed amounts.*

- **In response to: the contract requirement to have employment eligibility documentation on file:**

*It is standard operating procedure to complete all necessary employment documentation for Pomona Unified School District at time of hire at the District Personnel office. The employment documentation is kept at the District office. In order to ensure that all required funding contract specific employment documents are completed and held on file for review, according to the funding contract, Child Development will have all employees that are either new hires or assigned to Child Development programs complete forms that are particular to the funding sources. We will address this immediately and have files completed by December 2011.*

- **In response to: the required personnel records (i.e., current drivers' licenses, car insurance documentation and signed Employee Acknowledgement and Confidentiality Agreements) in their employee files.**

*It is standard operating procedure to complete all necessary employment documentation for Pomona Unified School District at time of hire at the District Personnel office. The employment documentation is kept at the District office. In order to ensure that all required funding contract specific employment documents are completed and held on file for review, according to the funding contract, Child Development will have all employees that are either new hires or assigned to Child Development programs complete forms that are particular to the funding sources. We will address this immediately and have files completed by December 2011.*

If you have any questions, please feel free to contact me at 909-397-4740 Ext. 5622.

Sincerely,

Christina Z. Acosta  
Program Supervisor  
Child Development

CZA/pjm